

The National Income, 1933

By Robert F. Martin, Chief of Income Section, Division of Economic Research

ACCORDING to preliminary estimates, the outstanding developments in respect to the national income in 1933 as compared with the previous year were a check in the decline of wages; a reduction in the drafts by business upon accumulated surpluses and other assets to make current income payments, which eased the strain on the financial resources of business; a sharp increase in the incomes of farmers; and a continuation of the downward trend in salaries, interest, dividends, and net rents and royalties which caused current income paid out to individuals by industries and occupations as a whole to decline 6 percent below 1932.

These estimates represent a continuation of the work on national income begun by the Division of Economic Research in 1932 pursuant to a Senate Resolution requesting a study of national income for the years 1929-32. The Division, with the cooperation of the National Bureau of Economic Research, completed the study early in 1934 and it was published as Senate Document No. 124 of the Seventy-third Congress, second session, entitled "National Income 1929-32." Tentative estimates for the year 1933, together with preliminary revisions for the 4 preceding years, are presented in this article. Complete revisions for the years 1929 through 1932 and an improved estimate for 1933 will be presented later when the final statistics and detailed classifications for the 1933 Census of Manufactures and the 1933 Census of American Business and other data become available.

The concepts and methods followed in National Income, 1929-32, have been retained in this preliminary statement except for minor changes in methodology where new basic data made such changes advisable, and a major departure in estimating agricultural income. These changes may result in some further alteration in the completed study. The two major concepts (income paid out and income produced) employed in the earlier study should perhaps be discussed briefly. *Income paid out* means the flow of purchasing power or goods that are paid out as compensation for services rendered by economic enterprises, including Government units, to the investors and to persons engaged therein, which includes profits withdrawn from the business or profession by entrepreneurs. The amount of current income paid out to individuals by the various enterprises is thus the same as the current income received by the various individual recipients in our economic society, excluding amounts accruing to their credit but not withdrawn from business organizations or enterprises. The term *income paid out* is used rather than *income received* because the character of the available data makes it necessary at present in almost all cases to

measure disbursements by industries rather than receipts by individuals. The total value of goods and services produced by the various enterprises less payments to other enterprises for goods and services consumed in production is here designated *income produced*. In any one calendar year these two items are not necessarily equal, for an enterprise may retain part of its value product as a surplus or other form of saving or it may use previous accumulations or assets as a source of payment of wages, interest, and other disbursements to income recipients. This may take the form of a reduction of inventory, a withholding of replacements, the use of bank balances, the sale of assets or the borrowing of funds, which will normally, also, depend on previous accumulations.

Estimates are presented herewith for income paid out. The income produced has been estimated, but is subject to a considerably larger margin of error. It should also be noted that available data do not permit the direct calculation of the net value of goods and services produced in all fields of enterprise. The income produced estimates have, therefore, been obtained by adding to or subtracting from the total income paid out, the annual additions to or deductions from the surpluses or other assets of enterprises, only the data for the latter items being presented herewith.

The revised estimates of agricultural income are based on an analysis of data not previously available. The income paid out in agriculture is taken as representing also the income produced by the industry, as farmers do not ordinarily keep their business accounts distinct from personal accounts, and no adequate basis exists for such a segregation. Hence, no effort has been made to estimate the farmers' withdrawals, nor the annual increments to previous accumulations or drafts upon assets, new borrowing, etc. The same consideration applies to some extent to entrepreneurs' income in unincorporated business in other industries, and, while estimates of the difference between the withdrawals and income produced for these other industries are included in the total given in the text further along, it should be borne in mind that the segregation is questionable and the data subject to a very large margin of error. This does not apply to the corporate data in this field, however.

Income paid out to individuals in 1933, as indicated by these preliminary estimates, amounted to approximately 47 billion dollars, or 3 billion dollars below the comparable figure for 1932. This decline marked the fourth successive yearly drop in income paid out, making a total decline of 43 percent from 1929 to 1933. The most severe curtailment in the income paid out since 1929 was experienced in 1932 when the total fell

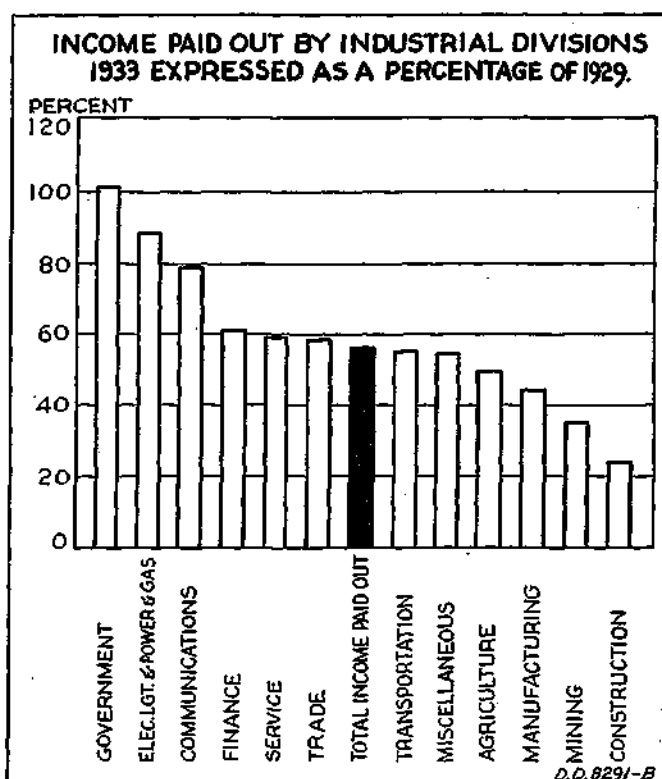
from 63.3 billion dollars in 1931 to 49.7 billion dollars, or 21 percent. The decline of 6 percent from 1932 to 1933 was attributable to the extremely low level of economic activity reached in the early months of the latter year.

Income Paid Out, by Industrial Division

| Industry | Millions of dollars | | | | | Percentage of 1929 | | | |
|---------------------------------------|---------------------|--------|--------|--------|--------|--------------------|------|------|------|
| | 1929 | 1930 | 1931 | 1932 | 1933 | 1930 | 1931 | 1932 | 1933 |
| Total..... | 82,300 | 75,800 | 63,300 | 49,700 | 46,800 | 92 | 77 | 60 | 57 |
| Agriculture..... | 7,800 | 6,300 | 4,400 | 3,300 | 3,900 | 81 | 56 | 42 | 50 |
| Mining..... | 2,100 | 1,800 | 1,300 | 800 | 800 | 86 | 62 | 38 | 38 |
| Electric light and power and gas..... | 1,300 | 1,300 | 1,400 | 1,300 | 1,200 | 115 | 108 | 100 | 92 |
| Manufacturing..... | 15,100 | 16,100 | 12,500 | 8,500 | 8,100 | 89 | 69 | 47 | 45 |
| Construction..... | 3,100 | 2,900 | 1,900 | 900 | 900 | 90 | 61 | 29 | 26 |
| Transportation..... | 6,700 | 6,200 | 5,200 | 4,100 | 3,700 | 93 | 73 | 61 | 55 |
| Communication..... | 900 | 900 | 900 | 800 | 700 | 100 | 100 | 89 | 78 |
| Trade..... | 11,200 | 10,500 | 9,200 | 7,400 | 6,600 | 94 | 82 | 66 | 59 |
| Finance..... | 10,100 | 9,300 | 8,100 | 6,700 | 6,200 | 92 | 80 | 66 | 61 |
| Government..... | 6,800 | 6,800 | 6,800 | 6,800 | 6,800 | 105 | 105 | 105 | 100 |
| Service..... | 8,800 | 8,400 | 7,300 | 6,800 | 5,200 | 96 | 83 | 66 | 59 |
| Miscellaneous..... | 5,700 | 5,200 | 4,300 | 3,300 | 3,100 | 91 | 75 | 58 | 54 |

These estimates indicate that the income produced in 1933 was approximately 2 billion dollars above that for 1932 but was approximately 4 billion dollars below the income paid out in 1933. During the preceding year the excess of income paid out over income produced amounted to 9 billion dollars. This curtailment of 5 billion dollars is accounted for by the 3 billion dollar decline in income paid out and the 2 billion dollar increase in income produced. For corporations alone, the data for which are somewhat more reliable, these estimates indicate that the draft upon previous accumulations or other assets amounted to approximately 6.5 billion dollars in 1932 and 2.7 billion dollars in 1933. A decline of about 650 million dollars in net dividend payments accounted for part of this reduction. Net dividend payments in 1933 were in excess of 2 billion dollars, or equivalent to three-quarters of the corporate income draft on accumulations or other assets. The marked improvement in corporate earnings during the last half of 1933 was primarily responsible for this pronounced curtailment of the corporate income draft on accumulations or other assets as compared with 1932.

The changes in income paid out between 1932 and 1933 varied greatly between different industries. Of the 12 industrial groups into which enterprises were classified for the purpose of this study, only agriculture showed an increase from 1932 to 1933 in income paid out. The gain in this industry amounted to 21 percent for the year. With income paid out amounting to half of the amount in 1929, agriculture in 1933 was relatively better off than manufacturing, in which income was only 45 percent of the 1929 level, while in 1932 agriculture was relatively worse off. Government income payments, not including relief and rental and benefit payments, declined somewhat from 1932 to 1933 but were still slightly greater than in 1929.



Income Paid Out, by Types of Payment

| Type of payment | Millions of dollars | | | | | Percentage of 1929 | | | |
|---|---------------------|--------|--------|--------|--------|--------------------|------|------|------|
| | 1929 | 1930 | 1931 | 1932 | 1933 | 1930 | 1931 | 1932 | 1933 |
| Total income paid out..... | 82,300 | 75,800 | 63,300 | 49,700 | 46,800 | 92 | 77 | 60 | 57 |
| Total salaries, wages, compensation and pensions..... | 62,700 | 48,400 | 40,700 | 31,500 | 29,300 | 92 | 77 | 60 | 56 |
| Salaries (selected industries) ¹ | 4,800 | 4,800 | 4,000 | 2,800 | 2,400 | 100 | 83 | 58 | 50 |
| Wages (selected industries) ¹ | 15,000 | 12,400 | 9,200 | 6,000 | 6,100 | 83 | 61 | 40 | 41 |
| Salaries and wages (all other industries)..... | 32,000 | 30,200 | 26,500 | 21,700 | 19,900 | 94 | 83 | 68 | 62 |
| Total dividends and interest..... | 11,400 | 11,400 | 9,700 | 8,100 | 7,300 | 100 | 85 | 71 | 64 |
| Dividends..... | 5,900 | 5,800 | 4,300 | 2,800 | 2,100 | 98 | 73 | 48 | 36 |
| Interest..... | 5,500 | 5,600 | 5,400 | 5,300 | 5,200 | 102 | 98 | 96 | 95 |
| Net rents and royalties..... | 4,400 | 3,700 | 3,100 | 2,400 | 2,300 | 84 | 71 | 55 | 52 |
| Entrepreneurial withdrawals..... | 13,800 | 12,300 | 9,800 | 7,700 | 7,900 | 89 | 71 | 56 | 57 |

¹ Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

The data for 1933 show the greatest declines from 1929 to have taken place in the producers' or durable goods industries. The construction industry, which was already slackening activity in 1929, has fallen off the most, with a decline of 76 percent. In the mining industry, which produces mainly fuel and raw material for industrial consumption or further industrial processing, income paid out showed a total decline of 64 percent. In the manufacturing industries the greatest declines were registered in the heavy goods branches.

The industries which have shown the smallest falling off in incomes paid out since 1929 were those that

serve consumers directly, and especially those of a monopoly nature whose revenues were protected from full competitive pressure. Income disbursed in 1933 by governmental units was slightly above the 1929 amount, due primarily to an expansion of bonded indebtedness resulting in increased interest payments, while salaries and wages paid declined but little in this period. Income payments by the electric light and power industry have been maintained by the stable demand, especially of individuals and governments, rather than industrial consumers, and also by a relatively inflexible rate structure. The decline from 1929 to 1933 amounted to only 11 percent. Income in the telephone branch of the communications industry was similarly maintained.

Not only have the income trends shown great divergences as between industries, but significant differences occurred in the movement of the various types of income. Wages paid in those industries for which it was possible to segregate this item, namely, manufacturing, mining, construction, and some branches of transportation, reached a low point in 1932 and increased slightly in 1933. Salaries in these same industries declined from 1932 to 1933 by about one-seventh. Salaries and wages for the 4 years, 1930-33, have declined 44 percent, or about the same proportion as the total current income. Total labor compensation during the 5 years, 1929-33, remained almost unchanged as a fractional part of the total income paid out at slightly less than two-thirds of the total.

The income of farmers, professional practitioners, independent business men, and other entrepreneurs, according to these estimates, increased slightly in 1933 as compared with 1932. The relative decline from 1929 was about the same as for salaries and wages. Almost all of the increase in this group in 1933 was due to the rise in the incomes of farmers, which increased almost 30 percent over the previous year.

Interest and dividend payments continued to decline in 1933; the former largely due to defaults in payment and the latter as a result of the action of corporations in curtailing these distributions. Interest payments are, of course, a more stable type of income, not rising so rapidly when other payments are increasing and not declining in proportion with the falling off of other types of payment. The decline in interest from 1929 to 1933 amounted to only 6.2 percent. As a percentage of the total income paid out, interest payments rose from 6.7 percent in 1929 to 11 percent in 1933, while dividend payments declined from 7.2 percent to 4.6 percent.

Net rents and royalties, which represent the gross payment by industries and by individual renters of living quarters, less the expenses such as taxes, interest, and depreciation on the property, according to these preliminary figures, continued to decline from 1932 to 1933, the relative recession since 1929 being

slightly more than was the case with total salaries and wages and entrepreneurial current income, but less than in the case of dividends. As a portion of total current income paid out, net rents and royalties represent about 5 percent, this ratio declining slightly from 1929 to 1930 and remaining practically the same thereafter.

Percentage Distribution of Income Paid Out, by Types of Payment

| Type of payment | 1929 | 1930 | 1931 | 1932 | 1933 |
|--|-------|-------|-------|-------|-------|
| Total income paid out..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total salaries, wages, compensation, and pensions..... | 64.0 | 63.9 | 64.3 | 63.4 | 62.6 |
| Salaries (selected industries) ¹ | 5.8 | 6.3 | 6.3 | 5.6 | 5.1 |
| Wages (selected industries) ¹ | 18.2 | 16.4 | 14.5 | 12.1 | 13.0 |
| Salaries and wages (all other industries)..... | 38.9 | 39.8 | 41.9 | 43.7 | 42.5 |
| Total dividends and interest..... | 13.9 | 15.0 | 15.3 | 16.3 | 15.6 |
| Dividends..... | 7.2 | 7.6 | 6.8 | 5.6 | 4.5 |
| Interest..... | 6.7 | 7.4 | 8.5 | 10.7 | 11.1 |
| Net rents and royalties..... | 5.3 | 4.9 | 4.9 | 4.8 | 4.9 |
| Entrepreneurial withdrawals..... | 16.8 | 16.2 | 15.5 | 15.5 | 16.9 |

¹ Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

Measurements of income must necessarily be made in the common denominator of money, and since prices and valuations have changed during the period under review, part of the fluctuations in the income estimates is traceable to this factor. Some idea of the significance of this since 1929 may be obtained by comparing the current income index with the cost of living index. The National Industrial Conference Board cost of living index declined 25 percent from 1929 to 1933, indicating that roughly the same living requisites could be obtained with an income in 1933 that was a fourth less than in 1929. Since income paid out declined 44 percent in this period, there has been a drastic falling off in the volume of goods and services that could be obtained with the income received in 1933 as compared with that obtainable with 1929 income.

The estimates presented herewith exclude rental and benefit payments made by Government to farmers, relief payments, the international transfer of income payments, earnings from odd jobs, earnings from illegal pursuits, and changes in the value of assets not derived by groups professionally occupied in the handling of assets. These data, furthermore, take no account of imputed income, i. e., the income received from ownership of durable goods, such as owned homes and automobiles and the value of services of housewives and other members of the family.

The probabilities are that many services purchased a few years ago have been increasingly performed by members of the family as income has declined during the depression. In other words, this reduction of economic specialization has prevented real income from declining as much as the data presented indicate.

NOTE.—The percentages used in the text were obtained from full estimated figures before rounding to the hundred millions presented in the tables.